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Please find below and/or attached an Office communication concerning this application or proceeding.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Application Number: 09/900,485
Filing Date: July 06, 2001
Appellant(s): CHERKAS ET AL.

Robert P. Lord
For Appellant

EXAMINER'S ANSWER

This is in response to the Appeal Brief filed September 18, 2008 appealing from the

Office action mailed November 30, 2007.

(1) Real Party in Interest

A statement identifying by name the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) Status of Claims

The statement of the status of claims contained in the brief is correct.

(4) Status of Amendments After Final

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

(5) Summary of Claimed Subject Matter

The summary of claimed subject matter contained in the brief is correct.

(6) Grounds of Rejection to be Reviewed on Appeal

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct. The following New Grounds have been added.

(7) Claims Appendix

The copy of the appealed claims contained in the Appendix to the brief is correct.

(8) Evidence Relied Upon

6,161,098   WALLMAN, STEVEN M. H.   12-2000

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

1.   **Claims 1-20 are rejected under 35 U.S.C. 101** because the claimed invention is directed to non-statutory subject matter.

Claims 1, 19 and 20 recite a process comprising the steps of, in claim 1 - storing, accessing and providing; in claim 19 - storing, receiving and accessing; and in claim 20 - storing, receiving, accessing, determining and providing. Claims 2-18 are rejected because of their dependence on independent claim 1.

Based on Supreme Court precedent, a proper process must be tied to another statutory class or transform underlying subject matter to a different state or thing (*Diamond v. Diehr,* 450 U.S. 175, 184 (1981); *Parker* v. *Flook,* 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson,* 409 U.S. *63,* 70 (1972); *Cochrane* v. *Deener,* 94 U.S. 780,787-88 (1876)). Since neither of these requirements is met by the claim, the method is not considered a patent eligible process under 35 U.S.C. 101. To qualify as a statutory process, the claim should positively recite the other statutory class to which it is tied, for example by identifying the apparatus that accomplished the method steps or positively reciting the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Claim Rejections - 35 USC § 112

The following is a quotation of the first paragraph of 35 U.S.C. 112:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

2.   Claims 1, 19, 20, 22 and 24 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains. For example, the details of the tax engine are not provided. Therefore, not only would a practitioner have to engage in undue experimentation to try to use the invention, but it would be highly unlikely that a plurality of practitioners working independently would produce the same results when starting with the identical beginning scenario. There are also numerous subjective decision points in the specification for implementing the invention. For example, speaking of the tax form database, the specification states "The fields may be populated by electronic transfer of information such as a tax return or securities transactions … by user entry, or …" ([0053], ll. 3-7). The problem is with the word "may" and the various options, which make the statement indefinite and subjective. Claims 2-18, 21, 23, 25 and 26 are rejected due to their dependence on independent claims 1, 22 and 24.

> The following is a quotation of the second paragraph of 35 U.S.C. 112:

> The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

3.   Claims 1, 19 and 20 recite the limitation "wherein the potential total future tax liability of the user is computed using the actual and forecasted tax data and the tax return information of the user from the tax profile." in the 3rd claim element. **There is insufficient antecedent basis for this limitation** in the claim for the "is computed" component of this limitation. To be statutory, a computing step should be a separate "verb+ing" step. Claims 2-18 are rejected due to their dependence on independent claim 1.

4.   Claims 1, 19 and 20 are rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. See MPEP § 2172.01. Claims 2-18 are rejected due to their

dependence on independent claim 1. Claims 2-18 are rejected due to their dependence on independent claim 1.

The omitted steps are:

- storing the tax profile associated with the user in accessible form in a tax profile database;

- combining and storing actual tax data particularized to the user; obtaining tax return information relevant to determining the user's total tax liability in a current tax year;

- entering a proposed brokerage transaction into the system;

- determining the user's future tax liability in a current tax year; and

- computing the future tax liability of the user using the actual and forecasted tax data and the tax return information of the user from the tax profile.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

5.   **Claims 1-26 are rejected** under 35 U.S.C. 103(a) as being unpatentable over Wallman (US Patent 6,161,098).

COMMENTS:

a)   Each tax program is focused on one tax year because the tax laws and regulations change for each tax year. This also means that, especially for "small investors", evaluations for the currently active tax year have to be done using the prior year's tax program until the Congress and the IRS have locked in the tax law and regulations for the tax year and the tax software providers have distributed the new tax software for purchase. Often this only occurs during the following January after the tax

year has passed and no transactions affecting the tax year are possible. However, some known or likely revisions may be able to be simulated through adjustments in appropriate fields.

b) By definition, a tax return is confined to one tax year, so tax information is inherently related to each separate year. Thus a given tax return concerns itself with a single year, Also a tax return is synonymous with one tax year of the user. The current tax year's information is all "pro-forma" or estimated or proposed. Past year's tax information is more permanent, but is subject to revisions until the initial tax return for a given tax year is filed, but is then subject to amendments if the taxed person chooses to submit such revisions, and is also subject to later challenges and revisions by the IRS.

Re. Claim 1, Wallman discloses a computer implemented method of determining the consequences of an investment transaction to a potential total tax liability of a user, the method comprising:

- storing for the user a tax profile containing tax return data for at least one tax year of the user, wherein the tax profile combines and stores actual and forecasted tax data particularized to the user, wherein the tax profile associated with the user is stored in accessible form in a tax profile database (Database – Fig. 3; Col. 3, l. 16; Col. 6, ll. 6-12; Col. 13, ll. 19-33. The stored tax profile containing the tax return data is inherent. The limitation merely describes the obvious content of a tax profile, and the obvious information that the stored information is in an accessible form. Storing in a non-accessible form would be purposeless in the context of this invention.);

- accessing the tax profile of the user to obtain tax return information relevant to determining the user's total tax liability in a current tax year (Col. 3, ll. 35-38; Col. 5, l. 65 – Col. 6, l. 12; Col. 6, ll. 13-21. The impact on the current tax year is inherent, since it is implicit that the sell/buy action decisions taught by Wallman are for the current year, especially the very near term, such as the same day, or a short period beyond that.); and

- Providing the user with a potential total future tax liability of the user based on a proposed brokerage transaction and the tax return information from the tax profile wherein the potential total future tax liability of the user is computed using the actual and forecasted tax data and the tax return information of the user from the tax profile. (Col. 2, ll. 63-67; Col. 3, ll. 35-38; Col. 7, ll. 20-24. Computing using the actual and tax data merely makes the obvious focus of the computation explicit.).

Wallman does not use the expression "total future tax liability". However, in fact Wallman discloses the same thing in equivalent language. Wallman discloses a method and system which enables a user to determine his total potential tax liability for a given year such as the current year by enabling the user to combine all of his taxable activities, i.e. all of his sources of income, beginning with employment income, and then using his method and system to test what-if scenarios regarding his existing investments and prospective investments. Wallman's disclosure concerns itself with both short term (current tax year) and long term (over one year ending in the current tax year or in a future tax year) (Col. 2, ll. 49-52). Thus Wallman concerns himself with assisting the small investor individual in managing his total future tax liabilities. Examples of his disclosure which demonstrates this are the following: a) Overall tax results, including income taxes (Col. 2, ll. 44-48; Col. 15, l. 12); b) various other taxable transactions listed in Col. 15, ll. 9-23: brokerage transactions which result in short and long term capital gains (l. 10-11), and transactions which include foreign or domestic securities, equities, options, mutual fund shares, bonds, etc. (ll. 17-18); and c) Wallman makes numerous references to the calculation of total tax liability including the several references to the coincident use of tax software such as those represented by Intuit's TurboTax (Reg) or Kiplinger's TaxCut (Reg) (Col. 6, ll. 6-12; 45-57). The suggestion of a user's total tax is clearly obvious. Further, discussion of marginal tax rates clearly evoke the total tax, since a marginal tax rate is calculated by the difference in two total tax scenarios. Wallman does this through a "system for managing the portfolio of securities enabling the investor easily to make a selection and place an order as to the desired cash and tax results". (Col. 2, ll. 65-67).

Therefore an ordinary practitioner of the art at the time of Applicant's invention would have found it obvious to have used Wallman's disclosure in order to establish a computer implemented method of providing potential future tax liability for a user based on a proposed brokerage transaction and the tax return information from eh tax profile, motivated by a desire to offer a method and apparatus for enabling a small investor with a portfolio of securities to understand and manage the related taxable events and cash implications created by buying and selling securities in a complex portfolio (Wallman, Col. 2, ll. 55-60).

by the desire

Re. Claim 2, Wallman discloses:

- storing a brokerage account of the user in which the proposed brokerage transaction is to be entered (Col. 3, ll. 14-16; Col. 6, ll. 6-12. Storing is implicit); and

- linking the brokerage account of the user to the tax profile of the user for obtaining the tax return information to determine the potential total future tax liability (Col. 2, ll. 63-67; Col. 3, ll. 35-38; Col. 5, l. 65 – Col. 6, l. 5; Col. 7, ll. 20-24. The linkage is inherent.).

Re. Claim 3, Wallman discloses a method wherein the brokerage account is stored in a brokerage account database, and the tax profile is stored in a tax profile database that is physically separate from the brokerage account database (Col. 3, ll. 14-17; Col. 6, ll. 6-12. Separate storage of each is implicit.).

Re. Claim 4, Wallman discloses a method comprising:

determining a potential total future tax liability of the user in the absence of the proposed transaction; and providing the user the potential total future tax liability from the proposed transaction in comparison with the potential total future tax liability in the absence of the proposed transaction (This is inherent in Wallman's teaching because this is at the core of Wallman's method wherein the comparison is made between the tax consequence of no action versus the tax consequences of various possible asset sale actions. Col. 6, ll. 50-66).

Re. Claims 5 & 18, Wallman has been discussed above. Wallman discloses providing the user with a potential total future tax liability of the user based on the proposed transaction and the tax return information from the tax profile.

Wallman also discloses or suggests

- **Re. Claim 5,** accessing prior completed transactions of the user relevant to the current tax return of the user; and determining the potential total future tax liability from the prior completed transactions, the tax return information, and the proposed transaction in Col. 6, ll. 50-57.

- **Re. Claim 18,** determining the potential total future tax liability based on the proposed transaction, the tax return information from the user's tax profile, and previously executed transactions effecting tax liability in the current tax year (Col. 6, ll. 50-57).

Wallman discloses interacting "with a program that calculates the taxable effect of a transaction based on other taxable transactions, income and other taxable items known to the user or expected to be engaged in by the user, either as stored in a program such as Intuit's Turbo Tax ® or other wise inputted into the program by the user". Applicant only includes two references to these limitations in the disclosure, one being this claim 5, and the other being in specification section [0031] on page 7, line 11 ("previous transactions already completed"). The practitioner would have known that such transactions include prior asset sales during the current tax year, possible tax credits from prior tax year transactions, the current tax year's tax liability by the next quarterly estimated tax payment deadline and the next April 15th filing and payment deadline; and potential future tax liabilities or tax credits resulting from asset sale transactions during the current tax year. The ordinary practitioner would have understood tax regulations sufficiently to know that "prior completed transactions of the user relevant to the current tax year of the user".

Re. Claims 5 and 18:

It would have been obvious to an ordinary practitioner of the art at the time of applicant's invention to have combined the disclosures of Wallman with a basic understanding of individual tax return options in order to offer an automated method

for calculating potential total future tax liability based on a proposed transaction and tax return information, motivated by a desire to offer a method and apparatus for enabling a small investor with a portfolio of securities to understand and manage the related taxable events and cash implications created by buying and selling securities in a complex portfolio (Wallman, Col. 2, II. 55-60).

Re. Claim 6, Wallman discloses a method wherein the stored tax profile comprises a user's tax filing status, income information, and deduction information. (Col. 6, II. 6-12). This is inherent because a tax payer's tax filing status, income and deduction information have been standard data components of tax return information for many decades, and are data elements which impact the tax payer's tax formula.

Re. Claim 7, Wallman discloses a method wherein the stored tax profile comprises the user's marital status, home ownership status, and dependent information. (Col. 6, II. 6-12). This is inherent because a tax payer's marital status, home ownership status, and dependent information have been standard data components of tax return information for many decades, and are data elements which impact the tax payer's tax formula.

Re. Claims 8-11 & 13, Wallman does not explicitly disclose:

Re. Claim 8, wherein items of tax return information in the user's tax profile are mapped to fields on computer representations of tax forms used to compute tax liability (Wallman discloses the importing of tax return information from a tax program to identify potential tax savings from engaging in a transaction involving any of the capital assets in a database. It would have been obvious to the ordinary practitioner that the user's tax profile are mapped to fields on computer representations of tax forms used to compute tax liability because that is a well known technique in the computer software utilization process).

Re. Claim 9, wherein the tax profile stores tax return information for a plurality of prior tax years (This is implicit and well known as a feature of standard tax programs such as those referenced in the disclosure – Col. 6, II. 6-12).

Re. Claim 10, wherein the tax profile stores tax return information for alternative scenarios of the current tax year (This was obvious and well known to the

ordinary practitioner at the time of Applicant's invention. Alternative scenarios have been a standard feature of tax programs prior to Applicant's invention.).

     Re. Claim 11, wherein the tax profile stores tax return information at a plurality of levels of granularity to allow for adaptation of tax data from external data sources. (Granularity is an expression whose computer industry usage means "from coarse to fine, of a computer activity or feature in terms of the size of the units it handles (e.g. - sets of data). The larger the pieces, the coarser the granularity. Microsoft Computer Dictionary). Multiple levels of granularity to allow for adaptation of tax data from external data sources were well known elements in the database management process at the time of Applicant's invention.

     Re. Claim 13, receiving the user's tax profile from a direct manual input by the user. However, Wallman discloses the user inputting information from his own records (Col. 3, ll. 16-17, Col. 6, ll. 15-18). It would have been obvious to the practitioner to have provided the option of permitting or enabling the user to enter the user's tax profile by a direct manual input by the user.

Re. Claims 8-11 & 13, it would have been obvious to an ordinary practitioner of the art at the time of applicant's invention to have combined the disclosures of Wallman with a basic understanding of individual tax return options in order to offer an automated method for calculating potential total future tax liability based on a proposed transaction and tax return information, motivated by a desire to offer a method and apparatus for enabling a small investor with a portfolio of securities to understand and manage the related taxable events and cash implications created by buying and selling securities in a complex portfolio (Wallman, Col. 2, ll. 55-60).

Re. Claim 12, Wallman discloses a method wherein the tax profile stores for each investment, information from which an acquisition price, an acquisition date, a sale price, a sale date, a holding period, and a gain or loss can be computed. (Col. 4, ll. 28-33, 56-66).

Re. Claim 14, Wallman discloses a method importing data for the user's tax profile from file generated by a tax preparation software application (Col. 6, ll. 6-12).

Re. Claim 15, Wallman discloses a method responsive to the user executing the proposed transaction, updating the tax profile to reflect the proposed transaction (Col. 5, l. 65 – Col. 6, l. 5).

Re. Claim 16, Wallman discloses a method wherein providing future tax liability data to the user further comprises: providing an amount of the total future tax liability to the user (Col. 3, ll. 36-48).

Re. Claim 17, Wallman discloses a method of providing an amount of the marginal tax owed or saved from the proposed transaction (Col. 3, ll. 36-48. It is implicit in Wallman that the tax owed or saved is shown).

Re. Claim 19, Wallman discloses a computer implemented method of determining tax liability, the method comprising:

- storing for a user a tax profile containing tax return data for at least one tax return of the user (Database – Fig. 3; Col. 3, l. 14; Col. 6, ll. 6-12; Col. 13, ll. 19-33. The stored tax profile containing the tax return data is inherent. The two wherein clauses are non-functional descriptive matter which do not have patentable weight since they merely describe the obvious content of a tax profile, and the obvious information that the stored information is in an accessible form. Storing in a non-accessible form would be purposeless in the context of this invention.);

- receiving a plurality of proposed investment transactions from the user to be executed in a group (Col. 2, ll. 65-67; Col. 3, ll. 21-24, 35-37, 42-45);

- accessing the tax profile of the user to obtain tax return information relevant to determining the user's total tax liability in a current tax year (Col. 6, ll. 6-12, 15-21, 40-49; Col. 3, ll. 37-42);

- determining a potential total future tax liability of the user based on all of the proposed transactions and the tax return information from the tax profile (Col. 6, ll. 40-49. The wherein clause is informational and has no patentable weight because it is non-functional descriptive material. Computing using the actual and tax data merely makes the obvious focus of the computation explicit.); and

- providing the potential total future tax liability to the user (Col. 3, ll. 53-56, 65-67).

Re. Claim 20, Wallman discloses a computer implemented method of determining tax liability, the method comprising:

- storing for a user a tax profile containing tax return data for at least one tax return of the user (Database – Fig. 3; Col. 3, l. 14; Col. 6, ll. 6-12; Col. 13, ll. 19-33. The stored tax profile containing the tax return data is inherent. The two wherein clauses are non-functional descriptive matter which do not have patentable weight since they merely describe the obvious content of a tax profile, and the obvious information that the stored information is in an accessible form. Storing in a non-accessible form would be purposeless in the context of this invention.);

- receiving a plurality of separate proposed investment transactions from the user, each investment transaction to be executed independently (Col. 2, ll. 63-67; Col. 3, ll. 23-24, 35-38, l. 59 – each potential trade, l. 66 – each asset/liability; Col. 4, ll. 12-14 – which of the securities must be sold – this must be either a single, independent transaction or a group or multiple transaction, as determined by the user . The seller's instructions necessarily include a transaction to be executed independently.);

- accessing the tax profile of the user to obtain tax return information relevant to determining the user's total tax liability in a current tax year (Col. 6, ll. 6-12, 15-21, 40-49; Col. 3, ll. 37-42);

- for each proposed investment transaction, determining a potential total future tax liability of the user based on the proposed transaction and the tax return information from the tax profile (Col. 6, ll. 50-57. The wherein clause is informational and has no patentable weight because it is non-functional descriptive material. Computing using the actual and tax data merely makes the obvious focus of the computation explicit.).; and

- providing the potential total future tax liability for each proposed investment transaction to the user (Col. 3, ll. 53-56, 65-67).

Re. Claim 21, Wallman discloses a method of determining the proposed investment transaction that has the best overall tax consequences for the user (Col. 4, ll. 1-14; Col. 6, ll. 40-57.).

Re. Claim 22, Wallman discloses a system for determining a total future tax liability of a user for a proposed investment transaction, comprising:

- tax profile database adapted to store a plurality of tax profiles particularized to a plurality of users, each tax profile being stored in accessible form and including tax return information for the user (Database – Fig. 3; Col. 3, l. 14; Col. 6, ll. 6-12; Col. 13, ll. 19-33. The stored tax profile containing the tax return data is inherent. The wherein clause are non-functional descriptive matter which do not have patentable weight since they merely describe the obvious content of a tax profile, and the obvious information that the stored information is in an accessible form. Storing in a non-accessible form would be purposeless in the context of this invention.);

- a brokerage interface adapted to receive a proposed transaction from the user (Col. 3, l. 15, 23-28; Col. 7, ll. 8-11, 41-48); and

- a tax engine adapted to receive the proposed transaction and coupled to obtain the tax return information from the tax database, and further adapted to calculate the potential future tax liability of the user based on the proposed transaction and tax return information (Col. 7, ll. 20-26; Col. 6, ll. 6-12. The wherein clause is informational and has no patentable weight because it is non-functional descriptive material. Computing using the actual and tax data merely makes the obvious focus of the computation explicit.).

Re. Claim 23, Wallman discloses an account database adapted to store user's brokerage accounts, each user brokerage account linked to the user's tax profile in the tax profile database (Col. 3, ll. 13-16; Col. 5, l. 65 – Col. 6, l. 5).

Re. Claim 24 Wallman discloses a user interface for a computer system that determines tax liability, the user interface being provided by a computer program encoded on a computer media usable by the computer system, the user interface comprising:

- a first window for receiving at least one proposed investment transaction entered by a user (Col. 3, ll. 1-9. The first window is inherent – see pop-up window, Col. 7, l. 3);

- a control for executing, in response to selection by the user, a determination of a potential future tax liability of the user from the proposed transaction using tax return information of the user stored in a tax profile (Col. 3, ll. 21-28, 53-63. The control is inherent. The wherein clauses are informational and have no patentable weight because they are non-functional descriptive material – see the rejection of claim 1 above); and

- a second window for displaying the total potential future tax liability of the user, as a consequence of the proposed transaction (Col. 4, ll. 1-9. The second window is inherent).

Re. Claim 25 & 26:

Re. Claim 25, Wallman discloses use of an interface to display:

- any capital gains or losses from the proposed transaction (Col. 4, ll. 56-65);

- any short term gains or losses from the proposed transaction (Col. 4, ll. 56-65);

Wallman does not explicitly disclose displaying:

- a total income to the user after the proposed transaction;

- a tax rate applicable to the user as a consequence of the proposed transaction; and

- the potential future tax liability of the user as a consequence of the proposed transaction.

However, Wallman discloses and/or suggests a system and interfaces which displays all the income and taxation consequences of potential and proposed asset transactions (Col. 15, ll. 5-23). All other facets related to the management of a user's

total tax consequences are disclosed in Col. 6, l. 40 – Col. 7, l.6. This includes the implicit consideration of total income, both regular income from other sources and from asset trading and also from long term capital gains, potential marginal tax rates, implied resultant total tax rates using off the shelf tax programs and an '"expert agent" for managing (the) tax effects … (which) monitors the user's tax position by comparing the capital gains effects from various proposed or available transactions' (Col. 6, ll. 58-65).

Re. Claim 26, Wallman discloses using a window to display:

- any capital gains or losses before the proposed transaction (Col. 4, ll. 57-65);

- any short term gains or losses before the proposed transaction (Col. 4, ll. 57-65);

Wallman does not explicitly disclose displaying:

- a total income to the user before the proposed transaction;

- a tax rate applicable to the user prior to the proposed transaction; and

- a total tax owed by the user prior to the proposed transaction.

However, Wallman suggests the display of:

- a total income to the user before the proposed transaction;

- a tax rate applicable to the user prior to the proposed transaction; and

- a total tax owed by the user prior to the proposed transaction;

because Wallman discloses and/or suggests a system and interfaces which displays all the income and taxation consequences of potential and proposed asset transactions (Col. 15, ll. 5-23). All other facets related to the management of a user's total tax consequences are disclosed in Col. 6, l. 40 – Col. 7, l.6. This includes the implicit consideration of total income, both regular income from other sources and from asset trading and also from long term capital gains, potential marginal tax rates, implied resultant total tax rates using off the shelf tax programs and an '"expert agent" for managing (the) tax effects … (which) monitors the user's tax position by comparing the capital gains effects from various proposed or available transactions' (Col. 6, ll. 58-65).

In conclusion, Re. Claim 25 & 26: It would have been obvious to an ordinary
practitioner of the art at the time of applicant's invention to have combined the
disclosures of Wallman with a basic understanding of individual tax return options in
order to offer an automated method for calculating potential total future tax liability
based on a proposed transaction and tax return information, motivated by a desire to
offer a method and apparatus for enabling a small investor with a portfolio of securities
to understand and manage the related taxable events and cash implications created
by buying and selling securities in a complex portfolio (Wallman, Col. 2, ll. 55-60).

(10) Response to Argument

ARGUMENT A: Use of Inherency in the rejections is improper.

Supporting Argument (1)   "Wallman is completely silent with respect to, and
therefore cannot teach or suggest, storing actual and forecasted tax data particularized
to a user in accessible form in a tax profile associated with the user. Thus, such a tax
profile is not *necessary* from the teachings of Wallman, so such a claim of inherency is
improper."(p. 11, ll. 2-5; p. 10, l. 5 – p. 11, l. 5).

Supporting Argument (2) "The Examiner's contention that Wallman teaches a tax
profile as required by the claimed invention would require mischaracterizing the
teachings of Wallman and/or alter the primary mode of operation taught by Wallman to
a procedure not even contemplated by Wallman, both of which are improper. *See,*
MPEP §2143.03."(p. 11, ll. 6-12).

RESPONSE A:

General Argument -

The Matter of Law – MPEP 2112

2112 Requirements of Rejection Based on Inherency; Burden of Proof [R-3] - 2100 Patentability

2112 Requirements of Rejection Based on Inherency; Burden of Proof [R-3]

The express, implicit, and inherent disclosures of a prior art reference may be relied upon in the rejection of claims under 35 U.S.C. 102 or 103. "The inherent teaching of a prior art reference, a question of fact, arises both in the context of anticipation and obviousness." *In re Napier*, 55 F.3d 610, 613, 34 USPQ2d 1782, 1784 (Fed. Cir. 1995) (affirmed a 35 U.S.C. 103 rejection based in part on inherent disclosure in one of the references). See also *In re Grasselli*, 713 F.2d 731, 739, 218 USPQ 769, 775 (Fed. Cir. 1983).

II. INHERENT FEATURE NEED NOT BE RECOGNIZED AT THE TIME OF THE INVENTION

There is no requirement that a person of ordinary skill in the art would have recognized the inherent disclosure *at the time of invention*, but only that the subject matter is in fact inherent in the prior art reference. *Schering Corp. v. Geneva Pharm. Inc.*, 339 F.3d 1373, 1377, 67 USPQ2d 1664, 1668 (Fed. Cir. 2003) (rejecting the contention that inherent anticipation requires recognition by a person of ordinary skill in the art before the critical date and allowing expert testimony with respect to post-critical date clinical trials to show inherency); ......

III. A REJECTION UNDER 35 U.S.C. 102/103 CAN BE MADE WHEN THE PRIOR ART PRODUCT SEEMS TO BE IDENTICAL EXCEPT THAT THE PRIOR ART IS SILENT AS TO AN INHERENT CHARACTERISTIC

Where applicant claims a composition in terms of a function, property or characteristic and the composition of the prior art is the same as that of the claim but the function is not explicitly disclosed by the reference, the examiner may make a rejection under both 35 U.S.C. 102 and 103, expressed as a 102/ 103 rejection. "There is nothing inconsistent in concurrent rejections for obviousness under 35 U.S.C. 103 and for anticipation under 35 U.S.C. 102." *In re Best*, 562 F.2d 1252, 1255 n.4, 195 USPQ 430, 433 n.4 (CCPA 1977). This same rationale should also apply to product, apparatus, and process claims claimed in terms of function, property or characteristic. Therefore, a 35 U.S.C. 102/ 103 rejection is appropriate for these types of claims as well as for composition claims.

IV.   EXAMINER MUST PROVIDE RATION-ALE OR EVIDENCE TENDING TO SHOW INHERENCY

The fact that a certain result or characteristic <u>may</u> occur or be present in the prior art is not sufficient to establish the inherency of that result or characteristic. *In re Rijckaert*, 9 F.3d 1531, 1534, 28 USPQ2d 1955, 1957 (Fed. Cir. 1993) (reversed rejection because inherency was based on what would result due to optimization of conditions, not what was necessarily present in the prior art); *In re Oelrich*, 666 F.2d 578, 581-82, 212 USPQ 323, 326 (CCPA 1981). "To establish inherency, the extrinsic evidence 'must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill. Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient.' " *In re Robertson*, 169 F.3d 743, 745, 49 USPQ2d 1949, 1950-51 (Fed. Cir. 1999) (citations omitted ....

"In relying upon the theory of inherency, the examiner must provide a basis in fact and/or technical reasoning to reasonably support the determination that the allegedly inherent characteristic <u>necessarily</u> flows from the teachings of the applied prior art." *Ex parte Levy,* 17 USPQ2d 1461, 1464 (Bd. Pat. App. & Inter. 1990) (emphasis in original)

In *In re Schreiber*, 128 F.3d 1473, 44 USPQ2d 1429 (Fed. Cir. 1997), the court affirmed a finding that a prior patent to a conical spout used primarily to dispense oil from an oil can inherently performed the functions recited in applicant's claim to a conical container top for dispensing popped popcorn. The examiner had asserted inherency based on the structural similarity between the patented spout and applicant's disclosed top, i.e., both structures had the same general shape. The court stated:

[N]othing in Schreiber's [applicant's] claim suggests that Schreiber's container is of a 'different shape' than Harz's [patent]. In fact, [ ] an embodiment according to Harz (Fig. 5) and the embodiment depicted in Fig. 1 of Schreiber's application have the same general shape. For that reason, the examiner was justified in concluding that the opening of a conically shaped top as disclosed by Harz is inherently of a size sufficient to 'allow [ ] several kernels of popped popcorn to pass through at the same time' and that the taper of Harz's conically shaped top is inherently of such a shape 'as to by itself jam up the popped popcorn before the end of the cone and permit the dispensing of only a few kernels at a shake of a package when the top is mounted to the container.' The examiner therefore correctly found that Harz established a prima facie case of anticipation.

In re Schreiber, 128 F.3d at 1478, 44 USPQ2d at 1432.

V.   ONCE A REFERENCE TEACHING PRODUCT APPEARING TO BE SUBSTANTIALLY IDENTICAL IS MADE THE BASIS OF A REJECTION, AND THE EXAMINER PRESENTS EVIDENCE OR REASONING

TENDING TO SHOW INHERENCY, THE BURDEN SHIFTS TO THE APPLICANT TO SHOW AN UNOBVIOUS DIFFERENCE

"[T]he PTO can require an applicant to prove that the prior art products do not necessarily or inherently possess the characteristics of his [or her] claimed product. Whether the rejection is based on 'inherency' under 35 U.S.C. 102, on '*prima facie* obviousness' under 35 U.S.C. 103, jointly or alternatively, the burden of proof is the same...[footnote omitted]." The burden of proof is similar to that required with respect to product-by-process claims. *In re Fitzgerald,* 619 F.2d 67, 70, 205 USPQ 594, 596 (CCPA 1980) (quoting *In re Best,* 562 F.2d 1252, 1255, 195 USPQ 430, 433-34 (CCPA 1977)).

In *In re Fitzgerald*, the claims were directed to a self-locking screw-threaded fastener comprising a metallic threaded fastener having patches of crystallizable thermoplastic bonded thereto. The claim further specified that the thermoplastic had a reduced degree of crystallization shrinkage. The specification disclosed that the locking fastener was made by heating the metal fastener to melt a thermoplastic blank which is pressed against the metal. After the thermoplastic adheres to the metal fastener, the end product is cooled by quenching in water. The examiner made a rejection based on a U.S. patent to Barnes. Barnes taught a self-locking fastener in which the patch of thermoplastic was made by depositing thermoplastic powder on a metallic fastener which was then heated. The end product was cooled in ambient air, by cooling air or by contacting the fastener with a water trough. The court first noted that the two fasteners were identical or only slightly different from each other. "Both fasteners possess the same utility, employ the same crystallizable polymer (nylon 11), and have an adherent plastic patch formed by melting and then cooling the polymer." *Id.* at 596 n.1, 619 F.2d at 70 n.l. The court then noted that the Board had found that Barnes' cooling rate could reasonably be expected to result in a polymer possessing the claimed crystallization shrinkage rate. Applicants had not rebutted this finding with evidence that the shrinkage rate was indeed different. They had only argued that the crystallization shrinkage rate was dependent on the cool down rate and that the cool down rate of Barnes was much slower than theirs. Because a difference in the cool down rate does not necessarily result in a difference in shrinkage, objective evidence was required to rebut the 35 U.S.C. 102/ 103 *prima facie* case.

In *In re Schreiber,* 128 F.3d 1473, 1478, 44 USPQ2d 1429, 1432 (Fed.Cir.1997), the court held that applicant's declaration failed to overcome a *prima facie* case of anticipation because the declaration did not specify the dimensions of either the dispensing top that was tested or the popcorn that was used. Applicant's declaration merely asserted that a conical dispensing top built according to a figure in the prior art patent was too small to jam and dispense popcorn and thus could not inherently perform the functions recited in applicant's claims. The court pointed out the disclosure of the prior art patent was not limited to use as an oil can dispenser, but rather was broader than the precise configuration shown in the patent's figure. The court also noted that the Board of Patent Appeals and Interferences found as a factual matter that a

scaled-up version of the top disclosed in the patent would be capable of performing the functions recited in applicant's claim.

See MPEP § 2113 for more information on the analogous burden of proof applied to product-by-process claims.

In the instant case, the examiner has provided a combination of evidence and reasoning to show the inherency of the points in question. Therefore, the burden has shifted to Appellant as stated above. Appellant has not met the bar required of a proper case of traversal as required by 37 CFR 1.111(b). Applicant has not specifically and distinctly pointed out the supposed errors, in substance, of the rejection, including the examiner's determination that "The stored tax profile containing the tax return data is inherent." (rejection of claim 1, above,). The applicant's argument is a general allegation that the claims define a patentable invention without specifically pointing out how the language of the claims patentably distinguishes them from the references. Appellant has not demonstrated how Wallman would not use the user's complete relevant tax related data when Wallman clearly states that his invention is aimed at the small investor and that such small investor want to take into account "the overall tax results that the investor incurs taking into account other taxes, such as income or other transactions in other assets or liabilities ... the effects that time will have in converting short-term gains into long-term gains in a plurality of securities or trade lots bought at different times ... tax implications ... The present invention is directed to the problem... to understand and manage the related taxable events ..." (Wallman, Col. 2, ll. 44-60). Appellant's argument has failed to demonstrate the conditions under which Wallman would be teaching the storage of data unrelated to a specific individual user's personal tax related data. In fact, Wallman and Appellant share the same motivation and goal, namely to calculate the total pro forma tax effects of a specific proposed investment action in the context of an assumed fixed set of base conditions such that the proposed action is the sole marginal action under consideration. Wallman has no other purpose and Appellant's invention also seems to have no other purpose, i.e. they have the same purpose, and the ordinary practitioner of the art, a tax accountant, CPA or other practitioner of the tax art, would have seen these matters as obvious and inherent. The

ordinary practitioner would have known that there is only such legitimate way to calculate the tax effect of the proposed action on the user's total tax scenario, which is based on fixed tax years. This does include the potential impact in future years of long term capital gains vs. short term capital gains, which still could fall in the next tax year. This depends of the actual tax law regarding the time length definition of a long term capital gain, which changes from time to time based on actions by the Congress and the President.

RESPONSE to Supporting Argument A (1)

(1) Re. "Wallman is completely silent with respect to, and therefore cannot teach or suggest, storing actual and forecasted tax data particularized to a user in accessible form in a tax profile associated with the user. Thus, such a tax profile is not *necessary* from the teachings of Wallman, so such a claim of inherency is improper."(p. 11, ll. 2-5; p. 10, l. 5 – p. 11, l. 5).

Response – Storage is disclosed in Wallman in Fig. 3 – DATABASE and Col. 6, ll. 6-24, 55 referring to two databases in accessible form which mean storage of the user's personal tax profile related data, including the electronically linked personal tax databases in tax programs such as Turbo-Tax or Kiplinger's TaxCut or the like, all for determining "overall tax consequences for each possible combination of trade of the selected assets/liabilities" (Col. 6, ll. 23-25). Storing is essential throughout the process and is explicitly disclosed in Col. 6, ll. 16. Inputs for determining the OVERALL tax effects of contemplated taxable actions is disclosed in numerous places including in Col. 9, ll. 56-57. Accessibility is disclosed throughout explicitly, implicitly and inherently. For examplke, inherency of accessible storage is disclosed in Col. 6, ll. 6-18, such as receiving information from a tax program (accessible storage in the tax program and in the receiving database is inherent since it must be located in accessible storage in both places since it would otherwise be close to useless and perhaps impossible to operate in ll. 6-12, and in ll. 13-18, where storing is explicitly stated in line 17). Storage of the user's tax related data is explicitly stated in Col. 6, l.

55. Further, the storage of all of the user's tax related data is explicitly stated in Col. 7, l. 61 – Col. 8, l. 2).

RESPONSE to Supporting Argument A (2) Re. "The Examiner's contention that Wallman teaches a tax profile as required by the claimed invention would require mischaracterizing the teachings of Wallman and/or alter the primary mode of operation taught by Wallman to a procedure not even contemplated by Wallman, both of which are improper. *See,* MPEP §2143.03."(p. 11, ll. 6-12).

Response – Wallman teaches a tax profile in numerous places including in Col. 6, ll. 6-24, Col. 6, l. 39 – Col. 7, l. 24, Col. 7, 49-58. As noted above, Wallman explicitly teaches determining a user's total tax consequences of various taxable action scenarios which include employment income and other taxable elements. Wallman discloses achieving this through active inkage with an electronic off the shelf tax program of which he mentions two leading examples.

ARGUMENT B:

General Argument - The examiner fails to follow the guidelines established by the US Supreme Court in the KSR decision of April 2007 (p. 11, l. 13 – p. 14, l. 9), especially p. 11, ll. 14-18 and p. 12, ll. 3-6).

Supporting Argument - "(Wallman is completely silent, and therefore cannot teach or suggest, storing forecasted and actual tax data *particularized to a user* in accessible form in a tax profile associated with the user.)."(p. 13, ll. 11-13; p. 12, l. 15 – 14, l. 5).

RESPONSE B

Response to General Argument - The US Supreme Court in the KSR decision chose to explicitly summarize the guidelines for obviousness rejection by citing the *In re Kahn* decision of 1986 by the Circuit Court, as follows:

The Court noted that "[t]o facilitate review, this analysis should be made explicit. *Id.* (citing *In re Kahn,* 441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006)) ("[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness"). However, "the analysis need not seek out precise teachings directed to the specific subject matter

of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *Id.* at 1741, 82 USPQ2d at 1396.

In the instant case, as evidenced by the evidence and rationale in the above

rejections and in these responses to Appellant's arguments, the examiner has

followed these guidelines by combining the prior art evidence represented by

Wallman with articulated reasoning, some rational underpinning, taking into

account of the inferences and creative steps that a person of ordinary skill in the art

would employ in order to support the legal conclusion of obviousness.

Supporting Argument – As demonstrated above, Wallman is explicitly directed to

providing the user with a specific personalized computation of the potential tax impact

of investment buy and sell actions based on the user's personal total tax factors.

Wallman teaches this method based on using and "storing forecasted and actual tax

data *particularized to a user* in accessible form in a tax profile associated with the user"

as located in numerous places such as in Col. 6, ll. 6 - Col. 7, l. 48 by linking the

user's full electronic tax information with a calculator to calculate the marginal tax

effect of a specific action being considered, as follows:

"Another particularly advantageous implementation of the above system of

the present invention provides for a means of calculating the expected tax required to

be paid, or expected tax benefit or credit expected to be earned, in connection with any

transaction or proposed series of transactions. The system would include an estimate

from the user or from a program such as Intuit's TurboTax.RTM. as to the marginal tax

rate of the user and then calculate the tax effect based on the capital gain or loss (short

or long term) at that marginal rate.

  According to yet another implementation of the above system of the present invention,

the system would interact with a program that calculates the taxable effect of a

transaction based on the other taxable transactions, income and other taxable items

known to the user or expected to be engaged in by the user, either as stored in a

program such as Intuit's TurboTax.RTM. or otherwise inputted into the program by the user."(Col. 6, II. 40-57).

Accordingly, Wallman explicitly teaches this method based on using and "storing forecasted and actual tax data *particularized to a user* in accessible form in a tax profile associated with the user".

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

This examiner's answer contains a new ground of rejection set forth in section **(9)** above. Accordingly, appellant must within **TWO MONTHS** from the date of this answer exercise one of the following two options to avoid *sua sponte* **dismissal of the appeal** as to the claims subject to the new ground of rejection:

(1) **Reopen prosecution.** Request that prosecution be reopened before the primary examiner by filing a reply under 37 CFR 1.111 with or without amendment, affidavit or other evidence. Any amendment, affidavit or other evidence must be relevant to the new grounds of rejection. A request that complies with 37 CFR 41.39(b)(1) will be entered and considered. Any request that prosecution be reopened will be treated as a request to withdraw the appeal.

(2) **Maintain appeal.** Request that the appeal be maintained by filing a reply brief as set forth in 37 CFR 41.41. Such a reply brief must address each new ground of

rejection as set forth in 37 CFR 41.37(c)(1)(vii) and should be in compliance with the

other requirements of 37 CFR 41.37(c). If a reply brief filed pursuant to 37 CFR

41.39(b)(2) is accompanied by any amendment, affidavit or other evidence, it shall be

treated as a request that prosecution be reopened before the primary examiner under

37 CFR 41.39(b)(1).

Extensions of time under 37 CFR 1.136(a) are not applicable to the TWO

MONTH time period set forth above. See 37 CFR 1.136(b) for extensions of time to

reply for patent applications and 37 CFR 1.550(c) for extensions of time to reply for ex

parte reexamination proceedings.

Respectfully submitted,
Siegfried E. Chencinski
Patent Examiner

/Alexander Kalinowski/
Supervisory Patent Examiner, Art Unit 3691

A Technology Center Director or designee must personally approve the

new ground(s) of rejection set forth in section (9) above by signing below:

/Wynn Coggins/
Director, Technology Center 3600

Conferee

/JAK/ for Vincent Millin
Appeals Conference Specialist

/A.K./
Supervisory Patent Examiner, Art Unit 3691